CED Public Policy Watch

06.18.2021

1. INITIAL CLAIMS FOR UNEMPLOYMENT COMPENSATION RISE

In a bit of a surprise, new initial Unemployment Insurance claims under regular state programs increased in the week ending June 12, hitting 412,000, an increase of 37,000 from the previous week (which had been revised upward by 1,000). The four-week moving average continues to decline (by 8,000, to 395,000), and though reported with longer lags, the number of total new claims (including special federal pandemic-response programs) continues to decline. Other labor market indicators have been consistently positive, and like all high-frequency data, the weekly claims numbers are subject to considerable variation. It is unlikely that this week’s number will prove to be a stark turnaround.

But even setting aside the possibility of this week’s number as a harbinger of renewed labor-market and economic decline, it is a reminder of the extraordinary hit that the economy has taken. The substantial category of service businesses and workers has been badly shaken, and despite the more-rapid-than-expected rebound, there are still layoffs occurring, and it will take time for the labor market to regain the extraordinary strength it enjoyed just before the pandemic.

2. CHINA IN THE G7 AND NATO MEETINGS...

CED has focused on the challenge that China poses on the United States in global trade, noting the interactions of trade with other issues including national security, cybersecurity, openness to investment, and the protection of intellectual property. One of the themes of our work was the need for the United States to cooperate with allies who share our values and commitment to a global world order based on fair and universally accepted rules. Developments of the last week have echoed the recommendations of our research. The G7 nations met in England over the weekend and issued a communique that challenged China for transparency over the origins of the COVID-19 pandemic, non-market economic behavior, domestic violations of human rights, and threatening actions in the East and South China Seas.
Given that the G7 is a worldwide organization including Japan as a member, the mention of China in the communiqué was not surprising (though the strength of the language might have been). However, NATO was conceived as a bulwark against the Soviet threat in the post-World War II years, and so when NATO looked the other way around the world to include warnings to China in its communiqué, eyebrows rose perhaps a bit higher. Two paragraphs of the extensive NATO statement contrasted China’s “coercive policies” to NATO’s “fundamental values,” and spoke in concerned tones about China’s expanding nuclear arsenal; its military cooperation with Russia, including in the NATO sphere; its lack of transparency and use of disinformation; and concerns about its space, cyber, and maritime policies. Finally, however, the communiqué encouraged constructive dialog and transparency.

Just as the G7 and NATO nations also did with respect to Russia, they used these communiqués to strike a more-unified posture with respect to the non-market and authoritarian regimes that pose increasingly troubling national security and economic threats. This unity could be tested if China and Russia try to use carrots or sticks to peel off individual members of this alliance for geopolitical or commercial advantage.

3. ...AND THE UNITED STATES AND RUSSIA ON CYBERSECURITY

In another new subject in the context of international meetings, President Biden reported that he raised Russia’s alleged support of cyberattacks on the United States. The President says that he pointed out the United States’ strong offensive capacity in cyberwarfare, which he said that President Putin appreciated without knowing in full what this nation’s capabilities are. President Biden specified 16 critical industries that he said should be off-limits for cyberattacks, and claimed to have agreement from President Putin; President Biden said that we would know in due time whether President Putin would comply with this agreement. President Putin, in language that would be familiar to connoisseurs of legal consent agreements, denied any wrongdoing; but he said that there will be ongoing discussions of the subject between the two nations.

4. PANDEMIC NEWS

New COVID-19 cases continue to move sideways in the United States, but there is now a very slight downward trend. For June 13-15, the seven-day moving average of new cases finally dipped below 13,000, to the 12,000 bracket. That is, still, a pleasing number from the perspective of the fall and the winter of 2020-21, but was a frightening number in March of 2020. It remains a priority to break the virus’s back, and the vaccine campaign remains central, as will be discussed below.
The trend in the number of patients hospitalized continues to be favorable, but frustratingly slow. And again, all health care is local, so a manageable number of cases on a national scale can continue to be burdensome in parts of the country that are significantly adversely affected; again, see below.

The death count also continues to decline, but still, the numbers are staggering. Depending upon who is counting, the United States either is on the brink of, or has just exceeded, 600,000 total COVID-19 deaths. That is about two World War IIs, for the historically minded.
5. **VACCINE NEWS**

The number of new vaccinations in the United States continues to tail off, and too soon for either the President’s July 4 target of 70 percent of US adult population having received at least one shot, or for the similar thumbnail definition of “herd immunity” at 70 percent of the population. Daily inoculations are now below one million, and are declining.
The implications of this slowdown are evident in looking on a daily basis at the number of Americans who are receiving their first dose. That number is well below one-half million. So only about half of new inoculations are reaching people who have not yet been vaccinated, which is slow progress relative to the nation’s goals. (And by the way, fewer than 8 percent of US vaccinations have been with the one-shot Johnson & Johnson vaccine; and so in more than 9 out of 10 instances, a first shot provides only partial immunity.)
And that figure contributes to the visually stagnant cumulative number of Americans who have received at least one inoculation. Again, progress toward the President’s goal of a momentous Independence Day and toward effective population immunity is limited.
To repeat the message of previous weeks, the distribution of vaccinations across the nation is a significant determinant of public health. Current inoculations, if spread uniformly, would be far more effective; but instead, we have vast segments of the country that are nowhere close to effective immunity for their populations.

And to nail down an obvious point: The virus does not respect state boundaries; all public health is local, if not personal. Even sparsely populated states have densely populated urban areas which often are more accepting of vaccination. Thus, the nation’s concentration of inoculations actually over-protects (if one can accept such a thing) a few urban centers, while under-protecting vast swaths of the landscape. The CDC has provided maps that depict vaccination by county (where such data are reported), and they, upon reflection, paint a more troubling picture.
But as worrisome as that map would seem to be, a simple count of the nation’s counties according to their vaccination effectiveness may be even more frightening.

Per this numerical chart, all of four US counties have achieved 70 percent full vaccination rates. As many as 41 percent of the nation’s counties have fewer than 30 percent of their populations vaccinated. Thus, as we rejoice at the national vaccination rates and the freedom to go maskless in major metropolitan areas, much of the nation remains unprotected. And that is important because...

...It is not the most sophisticated statistical analysis, but two media outlets, the *Washington Post* and *CNN*, have concluded that states that have high vaccination rates have low COVID-19 case rates, and vice versa. Such divergences have been widely recognized across nations around the world, and so it is not dreadfully surprising that the same would be true here in the United States—although even the
lowest vaccination rates here exceed the wildest aspirations of many developing countries. And again, apart from the immediate pain to those who contract the disease, continued infections keep the mutation lottery going, and the chance that some variant (beyond the “Delta” variant; see below) will overcome the protection that is achieved through current vaccines is enough to keep public health scholars awake at night.

But there is good news, if we can keep it: California and New York have achieved case counts low enough to justify, at least in the minds of their authorities, reopening their economies and societies. And Novavax has announced robust immune responses from its US/Mexico Phase 3 trial, which potentially will give the world one more vaccine to tamp down the virus (noting that much of the world is crying out for vaccine doses, while the United States is crying out for willing arms).

6. SPOTLIGHT ON REOPENING: RENEWED OUTBREAKS IN EAST ASIA

Across the Asia-Pacific region, countries that originally fared well during COVID-19 are now suffering the most. The most recent cause for alarm in the region is the spread of the Delta variant (B.1.617.2) in Guangzhou, a major industrial capital in southern China. The region is in lockdown, along with Taiwan, Vietnam, Thailand, and Australia after recent outbreaks. (See chart. For perspective, the infection rate in India recently peaked at almost 300 per million, and has since declined to be now about the same as the Philippines.)

In Australia, Japan, South Korea, and Taiwan, infection rates and deaths were kept relatively low during the early days of the virus through border restrictions, public compliance with social distancing
measures, and widespread testing and contact tracing. Now, the region is suffering due to lagging vaccination campaigns, which some have associated with complacency based on the early success. As of now, about 20 percent of Asia has received at least one dose of a vaccine. In Vietnam, Thailand, and Taiwan, vaccination campaigns are barely underway. China, Japan, South Korea and Australia have seen a sharp rise in vaccinations in recent weeks, but are still enormously behind the rates of the US and Britain, and even the EU, which itself had lagged at first.

Japan is dealing with a fourth round of infections, and with only 14 percent of the population having received at least one dose of the vaccine, tensions are high surrounding the upcoming July 23 start date of the Tokyo Olympics. On May 24, the State Department issued a travel warning for Japan in response to the country’s heightened cases; but US Olympic officials have said they are confident their athletes will be able to safely take part in the Games. Japanese authorities have opened large vaccination centers in Tokyo and Osaka and expanded vaccine programs to workplaces and colleges. Japanese authorities aim to have those aged 65 and above vaccinated by the end of July, with all adults vaccinated by November.